

Message Text

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C O N F I D E N T I A L MOSCOW 18656

E.O. 11652: GDS

TAGS: ECRE UR

SUBJECT: MAJOR PROBLEM AT KAMAZ FOUNDRY REPORTED BY SWINDELL-
DRESSLER REP (C-ER-4-58583)

STATE FOR EUR/SOV/KOVNER

USDOC FOR BEWT/DOWNING

REF: A) MOSCOW 18309; B) STATE 267097; C) MOSCOW 16937

1. SUMMARY. SWINDELL-DRESSLER REPRESENTATIVE AT KAMAZ
DIRECTORATE REPORTED THAT DURING THREE-DAY VISIT TO
NABEREZHNIYE CHELNIY AND KAMAZ SITE HE WAS GIVEN FRANK
APPRAISAL OF MAJOR PROBLEM AT IRON FOUNDRY, FOUNDATION OF
WHICH HAS BEGUN TO SETTLE DUE FAILURE TO DROP SUPPORT PILES.
EARLIER REPORT OF KAMA RIVER FLOODING PROBLEM APPARENTLY
INCORRECT (SEE REFTELS). SOVIET KAMAZ OFFICIALS, RECOG-
NIZING THAT FOUNDRY FOUNDATION DIFFICULTY REQUIRES MAJOR
CORRECTIVE ACTION SOON, HAVE APPARENTLY DECIDED SEEK ASSIST-
ANCE FROM SWINDELL (DESPITE FACT CONTRACT CLEARLY EXCLUDES
FOUNDATION FROM COMPANY'S RESPONSIBILITY) AND HAVE THEREFORE
ALLOWED SWINDELL REP TO MAKE THOROUGH INSPECTION OF SITE.
END SUMMARY

2. JOHN SCHMIDT, SWINDELL-DRESSLER'S REPRESENTATIVE AT
MOSCOW DAMAZ DIRECTORATE, HAS REPORTED IN CONFIDENCE ON HIS
THREE-DAY VISIT (DEC 11-13) TO NABEREZHNIYE CHELNIY AND
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KAMAZ FOUNDRIES. AFTER DELAYING SCHMIDT'S TRIP FOR OVER

TWO MONTHS WITH VARIOUS EXCUSES, SOVIETS FINALLY AND ON

SHORT NOTICE ADVISED HIM THAT PERMISSION HAD BEEN GRANTED FOR INSPECTION OF KAMAZ SITE. ACCOMPANYING SCHMIDT WAS INDIAN ENGINEER FROM SWINDELL'S PITTSBURGH OFFICE, WHO ALSO WORKS IN MOSCOW DIRECTORATE. FIRST DAY AT KAMAZ THEY WERE GIVEN VERY CURSORY RUN-THROUGH OF ALL THREE FOUNDRIES AND NO MENTION WAS MADE OF ANY PROBLEMS. ON SECOND DAY THEY MET WITH KAMAZ CHIEF METALLURGIST FNU TANANIN, WHO TOLD THEM THEY COULD SEE WHATEVER THEY WISHED, AND COULD TAKE PICTURES. SCHMIDT AND COLLEAGUE WERE ALSO ALLOWED TO VISIT PORT AREA.

3. NON-FERROUS FOUNDRY ONLY ONE NOTE YET CLOSED IN, AND INSTALLATION OF EQUIPMENT IN STEEL AND IRON FOUNDRIES (WHICH HAVE BEEN COMPLETED) HAS JUST BEGUN. MUCH EQUIPMENT STILL LYING IN PORT AREA. TANANIN CLAIMED SOME SHIPMENTS HAD NOT BEEN ADEQUATELY CRATED, INCLUDING SHIPMENT OF TRANSFORMERS EXAMINED BY SCHMIDT WHICH HAD APPARENTLY HAD ARRIVED IN TERRIBLE CONDITION.

4. COLOR PICTURES OF FOUNDRIES AND PORT ARE BEING DEVELOPED IN HELSINKI AND EMBASSY HAS BEEN PROMISED A SET WHICH WE WILL POUCH TO EUR/SOV/KOVNER.

5. DURING RETURN VISIT TO GRAY AND MALLEABLE IRON FOUNDRY, TANANIN VOLUNTEERED THAT A SERIOUS PROBLEM HAD DEVELOPED THERE. FOUNDATION HAD BEEN CONSTRUCTED IN WINTER, AND BACK-FILL WAS THEREFORE FROZEN EARTH, AS WAS BASE FOR FOUNDATION. NOW THAT SOME HEAT HAS BEEN TURNED ON IN CLOSED-IN FOUNDRY, EARTH HAS APPARENTLY THAWED AND ENTIRE STRUCTURE (760 METERS LONG) HAS BEGUN TO SETTLE, IN SOME PLACES 20 MILLIMETERS, IN OTHERS UP TO 80 MILLIMETERS. FOR NO APPARENT REASON OTHER THAN DESIRE TO MEET SCHEDULE, PILES WERE NOT SUNK FROM FOUNDATION, AS WAS DONE IN NON-FERROUS FOUNDRY AS WELL AS OTHER STRUCTURES IN COMPLEX. WHEN HEAT IS TURNED ON THROUGHOUT IRON FOUNDRY, AND WHEN EQUIPMENT IS BROUGHT IN, STRUCTURE COULD SETTLE CONSIDERABLY DEEPER AND FASTER. SCHMIDT EXPLAINED THAT HIS EARLIER REPORT OF PROBLEM WITH FLOODING FROM DAMA RIVER WAS INCORRECT, APPARENTLY DUE

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TRANSLATION ERROR. ACCORDING KAMAZ OFFICIALS SOME PROBLEMS CAUSED BY WATER TABLE IN AREA, BUT NO FLOODING OR WATER SEEPAGE FROM RIVER WHICH IS LOCATED FOUR-SIX KILOMETERS FROM MAIN KAMAZ PLANT. SOVIETS ESTIMATE HYDROELECTRIC PROJECT ON KAMA RIVER WILL REQUIRE ANOTHER FOUR YEARS TO COMPLETE AND SCHMIDT REPORTED HE SAW NO SIGNS OF CONSTRUCTION IN AREA.

6. SCHMIDT HAS ALREADY CALLED SWINDELL IN PITTSBURGH TO

ADVISE OF PROBLEM. FIRST REACTION WAS TO READ SECTION FROM CONTRACT WHICH REPORTEDLY EXCLUDES SWINDELL FROM ANY RESPONSIBILITY FOR FOUNDATION. SCHMIDT HAS GIVEN PITTSBURGH HIS OWN ADVICE TO THE EFFECT THAT DESPITE LACK OF RESPONSIBILITY, SWINDELL SHOULD DO ALL POSSIBLE TO ASSIST IN SOLVING THIS PROBLEM. HE FEELS THAT FROM STRAIGHT BUSINESS POINT OF VIEW SWINDELL WOULD BE "IN" WITH SOVIETS IF THEY HELP OUT INSTEAD OF PLEADING LACK OF CONTRACTUAL RESPONSIBILITY. SCHMIDT BELIEVES SWINDELL HAS KNOW-HOW TO RESOLVE PROBLEM. (RECENT VISIT BY KAMAZ DIRECTOR VASILIEV TO PITTSBURGH MAY BE RELATED TO THIS PROBLEM, BUT TO BEST OF SCHMIDT'S KNOWLEDGE, TANANIN'S ACCOUNT IS FIRST ADMISSION OF DIFFICULTIES AT IRON FOUNDRY.)

7. COMMENT. FAILURE TO RESOLVE ABOVE PROBLEM QUICKLY COULD RESULT IN FURTHER DELAYING START UP OF KAMAZ PLANT, SINCE IRON FOUNDRY IS THE LARGEST AND PERHAPS MOST IMPORTANT ELEMENT. (SCHMIDT GUESSES THAT INITIAL OPERATION CANNOT BEGIN BEFORE MID-77 AS MATTERS NOW STAND.) WHILE SOVIETS HAVE UNTIL NOW MADE EVERY APPEARANCE OF BUILDING CASE TO SHIFT BLAME FOR DELAYS ONTO SWINDELL, CURRENT EXAMPLE OF ALLOWING THOROUGH INSPECTION BY SWINDELL REPS--TO OUR KNOWLEDGE THE FIRST WESTERN TECHNICIANS ALLOWED ACTUALLY INSIDE FOUNDRIES--AND OF ADMITTING SERIOUS DIFFICULTY AT IRON FOUNDRY MAY BE AN ATTEMPT TO DRAW SWINDELL INTO COOPERATIVE APPROACH AT RESOLVING A PROBLEM WHICH CANNOT BE HIDDEN FOR MUCH LONGER. FORTHCOMING ATTITUDE DISPLAYED BY SOVIETS DURING EARLIER NEGOTIATIONS OVER PENALTY CLAUSE MAY PLAY PART IN ENCOURAGING SWINDELL TO RESPOND IN COOPERATIVE MANNER TO ANY SOVIET REQUEST FOR ASSISTANCE. IN THIS REGARD, COMMATT WAS TOLD BY LOCAL PULLMAN REP (NOT SCHMIDT) THAT CLOSE PERSONAL RELATIONSHIP BETWEEN DEMINFOREIGN TRADE KOMAROV AND EX-IM PRESIDENT

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CASEY WAS IMPORTANT FACTOR IN RESOLVING THIS DISPUTE.

8. SCHMIDT EXPRESSED CONCERN THAT INFORMATION REGARDING FOUNDRY PROBLEM BE KEPT CLOSELY GUARDED IN ORDER THAT SOVIETS NOT OVER-REACT DEFENSIVELY TO STORIES AND TRY TO PLACE BLAME ON SWINDELL.

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